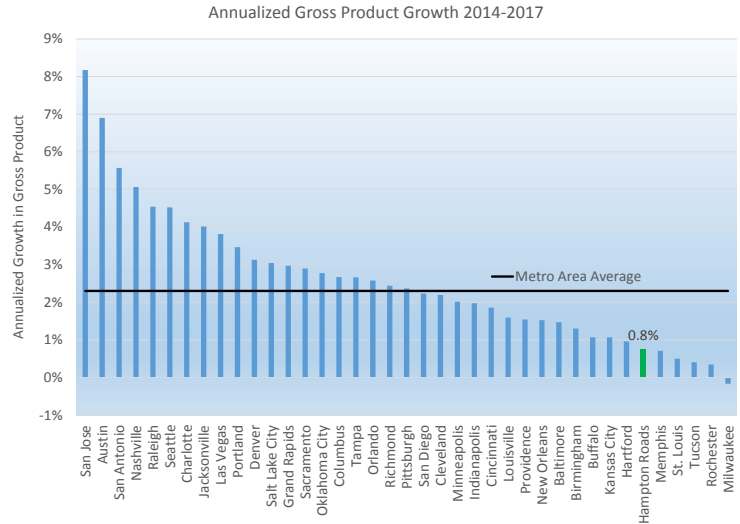


Older Data Disappoints

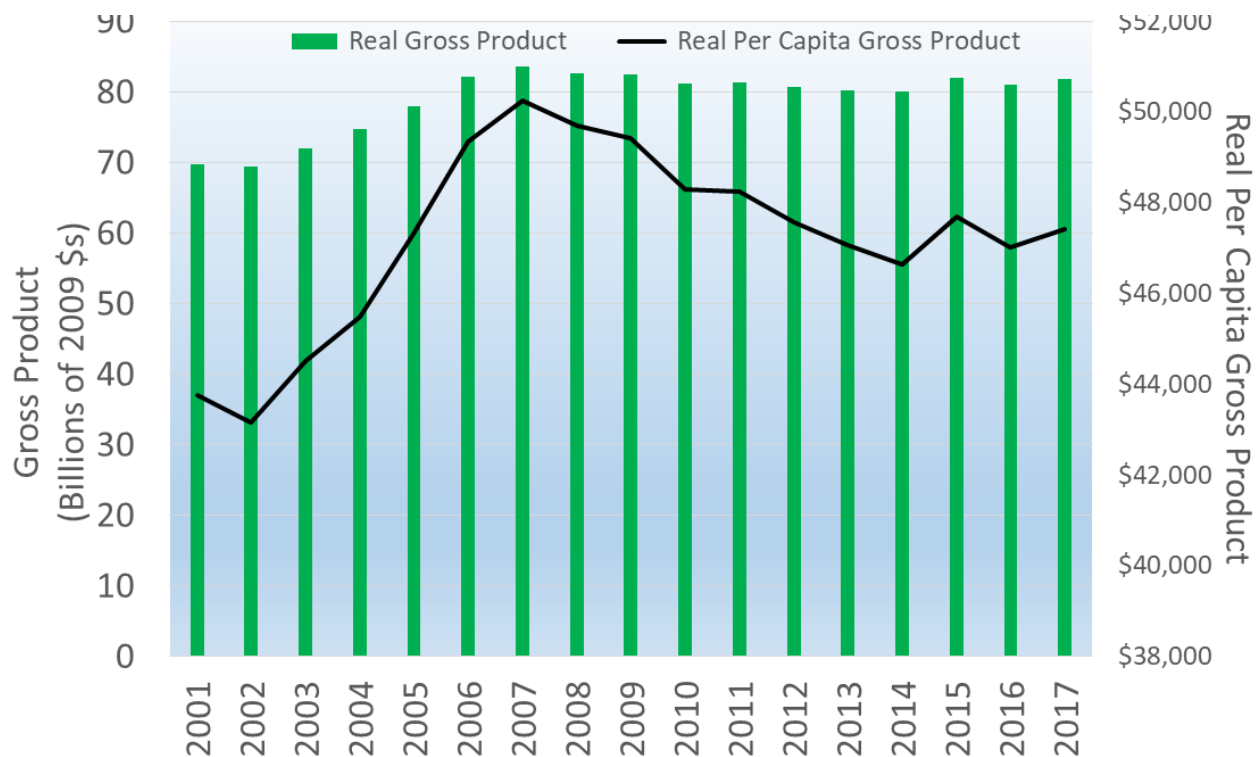
Economic indicators for Hampton Roads continue to provide a positive account regarding the state of the regional economy. Employment has increased, while unemployment has fallen to almost unsustainably low levels. Additionally, the retail sales, car sales, and accommodation sales all indicate both local optimism in the economy and continued development in the tourism sector. Housing permits remain the only indicator that significantly undercuts this strength, but given the nature of the housing correction, the region's home price increase during the boom, and the fact that housing starts will likely lag the economic recovery, low levels of residential construction are understandable.

Unfortunately, a recent estimate for regional gross product in 2017 was not as positive for Hampton Roads. 2017 was not a strong year for employment growth, with employment increasing by only 1,000 positions. Comparably, in 2016, employment increased by 6,200 positions. This led staff to believe either the 2016 estimate for Gross Product would be revised higher (to reflect employment growth), or that the 2017 estimate would be significantly higher; however, the 2017 Gross Product estimate remained below the 2015 level despite growth in both the regional population and employment over the past two years. At this time it is difficult to estimate the source of this inconsistency, but the Bureau of Economic Analysis largely bases its estimates of gross product on changes in levels of regional incomes, suggesting that the yet-to-be released estimates of regional income in 2017 will be relatively modest.



Hampton Roads' Inflation-Adjusted Gross Product

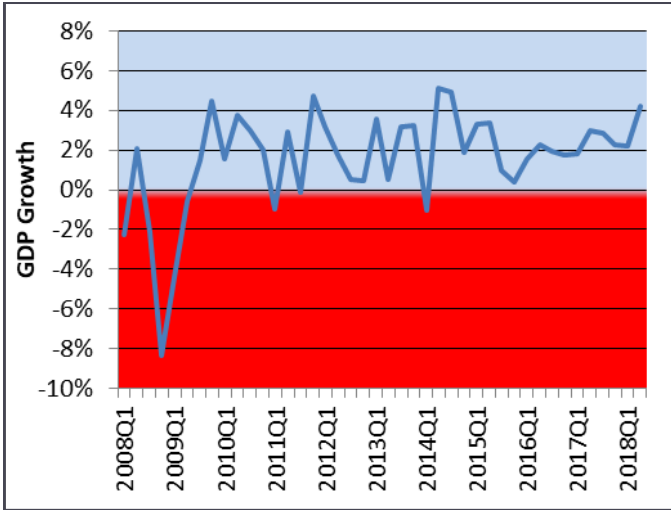
Billions of 2009 \$s



Source: Bureau of Economic Analysis, HRPDC

GDP, Annualized Growth Rate

United States, 2008Q1 – 2018Q2, Quarterly

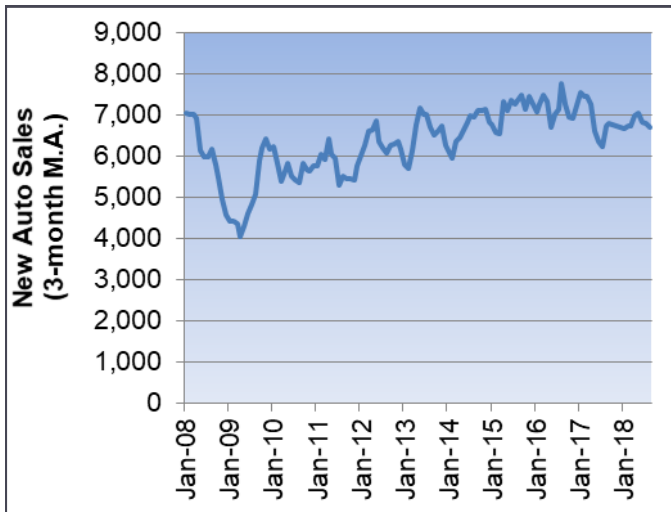


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP growth jumped to 4.2% in Q2 2018, driven primarily by strong consumer spending (also grew 4.2%). Additionally, national defense spending grew an impressive 6.0% last quarter, which usually yields large benefits to the region.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2007 – Aug 2018, Monthly

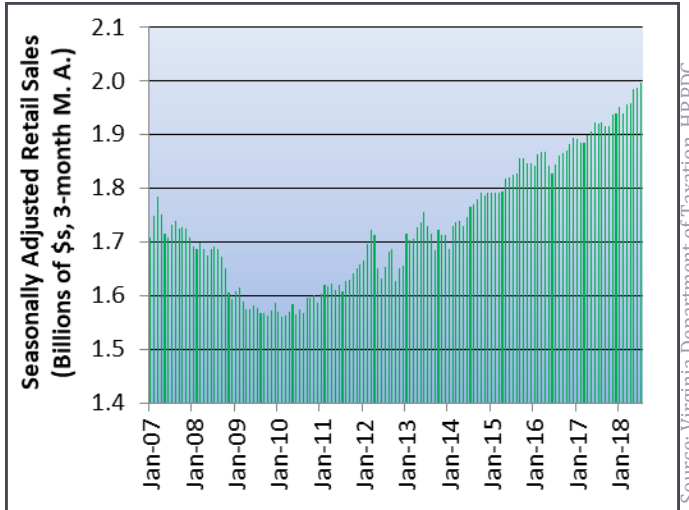


Source: Virginia Automobile Dealers Association, HRPDC

New Car Sales: Car sales, as a durable good, may be put off until such time as an individual’s economic prospects improve; thus, the number of new car sales indicate the level of confidence that households in Hampton Roads have in their financial future. Car sales increased to 6,712 in July 2018, but the three-month average continues to be dragged down by the extremely weak June numbers (6,389). The long-term average of 7,010 for the region and sales have stayed below that level since April 2017.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Jul 2018, Monthly

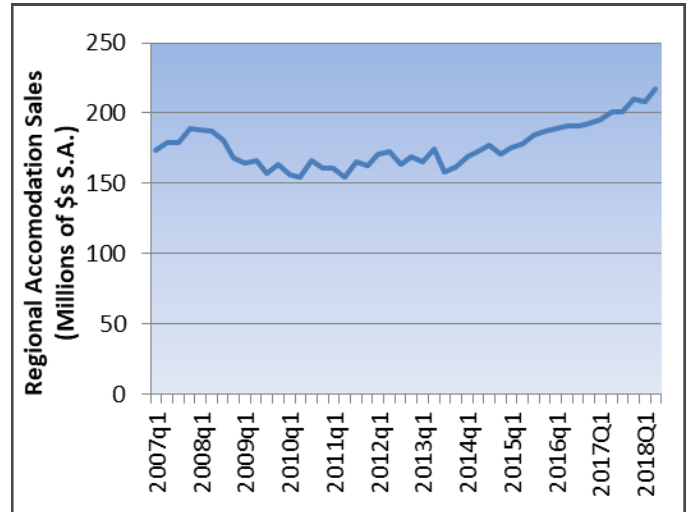


Source: Virginia Department of Taxation, HRPDC

Retail Sales: Retail sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. Hampton Roads’ taxable monthly sales broke through the \$2.0 billion level (seasonally adjusted 3-month average) in July 2018, and are now 11.8% above pre-recession highs and 28.0% greater than sales during the recession. Typically there is a pattern of sales accelerating in summer months, and while May’s sales grew strongly year-over-year, growth in June and July disappointed by that standard.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2018Q2, Quarterly

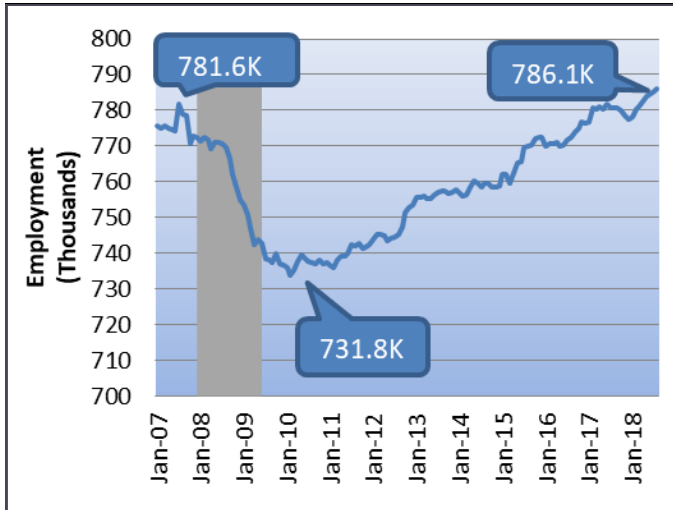


Source: Virginia Department of Taxation, HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region’s tourism sector. In Q2 2018, accommodation sales increased by 4.44% regionally to \$217 million (seasonally adjusted). This is both an improvement on a slightly disappointing first quarter, and a significant increase (\$16M, +8.1%) over accommodation sales in the second quarter of last year. This is consistent with the other strong indicators that have emerged over the summer.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Aug 2018, Monthly

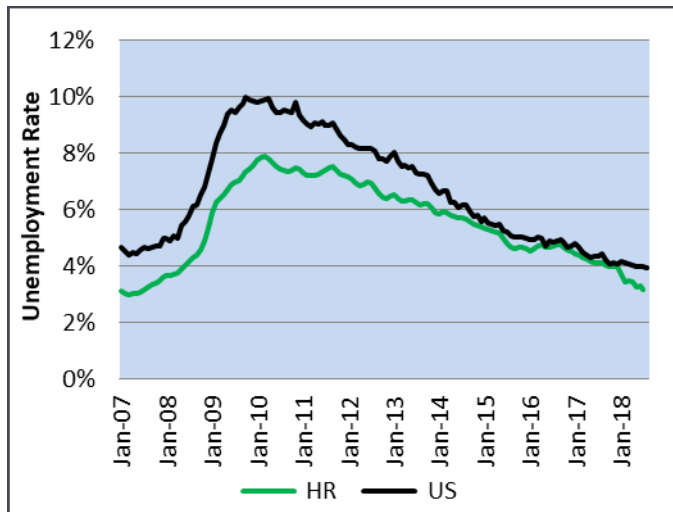


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Hampton Roads' employment reached a new apex as employment grew by 600 jobs to 786,100 in August 2018. The region still needs to continue to grow significantly to catch up with the recovery at state and the nation levels; the recent trend of strong employment growth of 6,900 jobs since August 2017 is helping to close the gap.

Unemployment Rate, Seasonally Adjusted

Hampton Roads and U.S, Jan 2007 – Jul 2018, Monthly

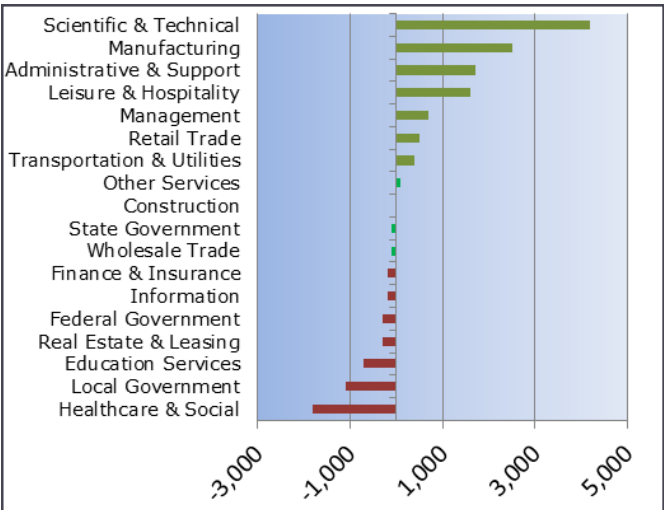


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate remained fell to 3.15% in July 2018 from 3.31% in May, and this decrease was accompanied by a small increase in the labor force as well as a significant decrease in those reporting they are unemployed. Only seven regions with populations between 1 and 3 million have a lower unemployment rate.

Employment Growth by Industry

Hampton Roads Aug 2018 – Aug 2017, Year-over-Year

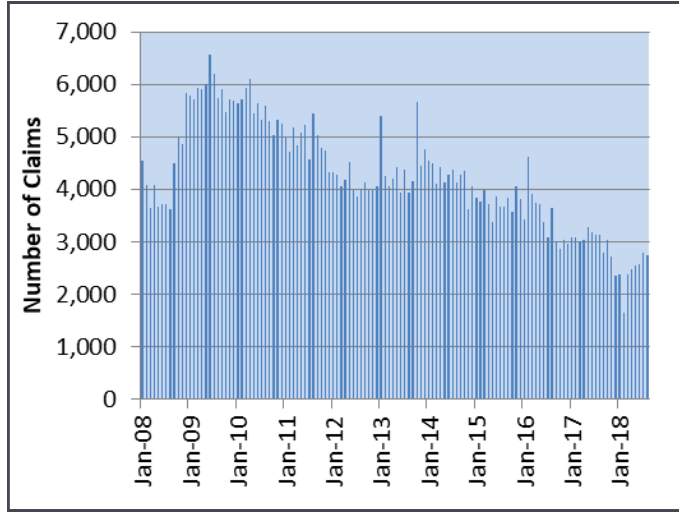


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Regionally, scientific and technical employment (+4,200) and manufacturing employment (+2,500) have grown strongly over the past year; both industries have employment that has proven to be highly correlated with defense spending in the past. Health and social assistance (-1,800) and local government employment (-1,100) both declined significantly over the past year.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2008 – Aug 2018, Monthly

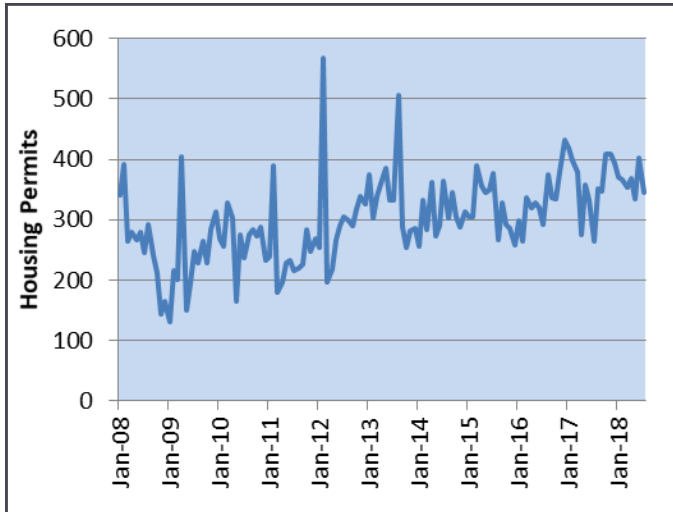


Source: Virginia Department of Labor, HRPDC

Initial Unemployment Claims: The number of initial unemployment claims is a leading economic indicator, reflecting those who are forced to leave work unexpectedly, and thus revealing the strength of the job market with little lag time. The region's initial unemployment claims fell slightly to 2,744 in August 2018. Current levels of claims remain 1,000 per month lower than the region's long-term average.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jul 2018, Monthly

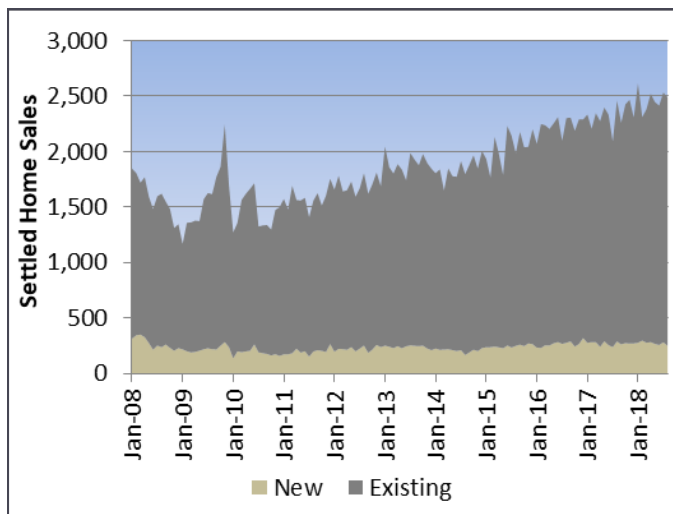


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Seasonally adjusted single family permits fell back down to 349 in July 2018, following a bounce up to 403 in June (seasonally adjusted). Nationally, construction employment is now above the levels seen in 2008, but regionally, construction employment still falls 8,200 jobs short of August 2008 levels. The region’s long-term average has been 450 units per month.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2007 – Aug 2018, Monthly

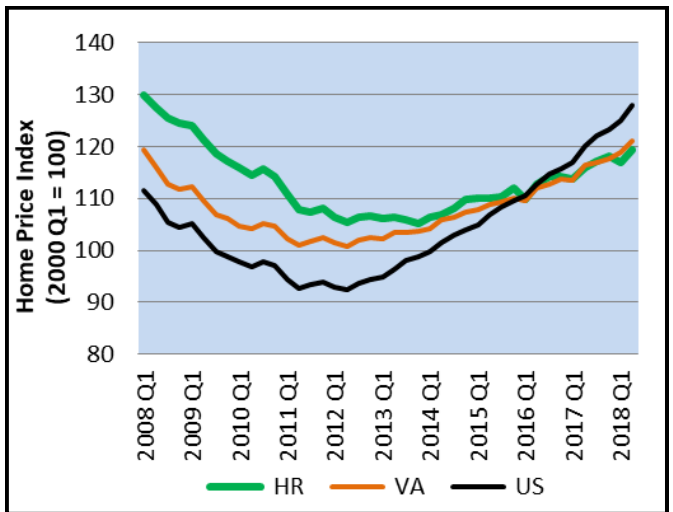


Source: REIN, HRPDC

Home Sales: Settled home sales measure the level of transactions on the real estate market over time, and a healthy real estate market should have a consistent level of activity. The levels of existing home sales and new home sales have remained essentially flat over the past year, with several small increases from month to month that have not signified any major shift in the market. It is interesting that this area has not accelerated given the strength seen in other regional indicators.

Home Price Index, All Transactions

Hampton Roads, 2008Q1 – 2018Q2 Quarterly

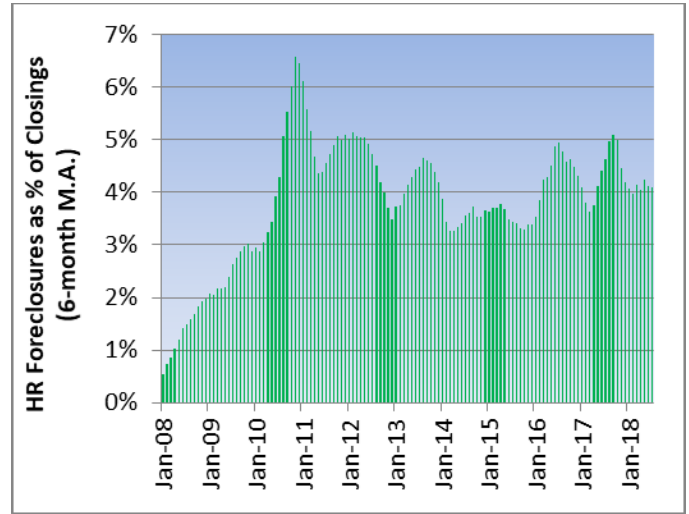


Source: Federal Housing Finance Agency, HRPDC

Home Price Index: The home price index measures the value of homes by evaluating changing price levels through repeated sales of properties. The index provides the highest quality data available on the trends in the real estate market. Hampton Roads’ home prices increased in Q2 2018, and are 3.1% above the price levels during the same time last year, though lag behind the growth rate of home prices statewide (3.9%), and nationwide (6.6%). Regional home values remain 8.5% below 2007 levels.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2008 – Jul 2018, Monthly



Source: Zillow, HRPDC

Foreclosures: Foreclosures have a significant impact on the real estate market and the community, and depress home values on both a neighborhood and regional level. Distressed homes’ share of total sales has particularly been shown to have an impact on the sale price of existing homes. While there continue to be fluctuations in foreclosures percentage of the home market, the level is still elevated from the housing boom. Foreclosures constituted 4.1% of all existing home sales in July 2018, and this plays a role in the tepid growth of home values.